

~~CONFIDENTIAL~~

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8 November 1948

MEMORANDUM TO THE DIRECTOR OF CENTRAL INTELLIGENCE

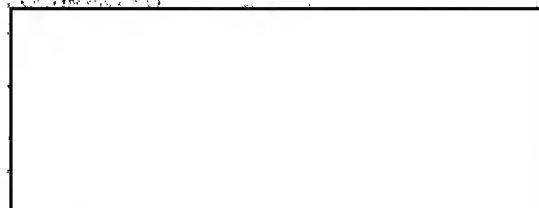
SUBJECT: Audit of Special Funds Accounts

1. Pursuant to your directive, attached, dated 16 December 1947, the Audit Branch of this office has been conducting the required audit of Special Funds, OSC. The Chief of the Audit Branch is now ready to audit the covert accounts.
2. This office has been informed that the Assistant Director, SO has directed the Special Funds Officer to refuse access to all covert accounts by the auditors.
3. It is realized that only the Director can issue such policy decisions and this memorandum constitutes a request for such a decision.
4. The Audit Branch is fully cognizant of the security requirements of such an audit of covert accounts. If you direct this audit, it will be performed by only the Chief Auditor and one other person. The audit can be performed on a financial accounting basis and auditors need not know and will be forbidden to inquire into the operational activities involved. This office will welcome any other security considerations such as use of pseudonyms so long as financial transactions may be verified.
5. In case the Director desires that covert accounts be omitted from the audit, request a directive to that effect.

SHEFFIELD EDWARDS
Colonel, OSC
Executive for Inspection and Security

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GROUP 1 - EXCLUDED



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9 November 1948

MEMORANDUM FOR THE EXECUTIVE FOR INSPECTION AND SECURITY

SUBJECT: Audit of Special Funds Account

The Chief Auditor alone of the Audit Branch will conduct the audit of the covert accounts of the Office of Special Operations. There must be no breach of security in such audit, and, consequently, the Chief Auditor will make the audit himself, principally on a financial accounting basis, and the use of cryptonyms for places and persons involved will be rigorously maintained. There must be an audit, but at the same time security must be considered.

SIGNED

R. H. HILLENKOETTER
Rear Admiral, USN
Director of Central Intelligence

cc - Assistant Director for Special Operations
✓ Director's file.

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